

State of Alaska FY2008 Governor's Operating Budget

Department of Labor and Workforce Development Unemployment Insurance Component Budget Summary

Component: Unemployment Insurance

Contribution to Department's Mission

The Unemployment Insurance program contributes to the department's mission by keeping skilled workers in Alaska and sustaining the economy during periods of economic downturn.

Core Services

The Unemployment Insurance (UI) program assesses and collects employer contributions for deposit into the UI Trust Fund and pays UI benefits to workers who are temporarily unemployed.

Provide a convenient and efficient means for clients to apply for Unemployment Insurance (UI) benefits to provide partial income replacement during periods of unemployment.

Classify employers required to contribute to the Alaska UI Trust fund and determine employer tax rates under an experience-rating system under the provisions of 23.20.280. Collect UI Taxes from employers for the payment of unemployment benefits. Work with and educate employers on how to meet the UI tax requirements while minimizing tax rates.

Maintain accounting records of all contributions submitted by employers and deposit contributions into the Alaska UI Trust Fund as required by state and federal statutes and ensure trust fund solvency is maintained by reviewing UI tax rate calculations with the Trust Fund Solvency Adjustment (TFSA) formula.

Protect the UI Trust Fund by preventing and recovering UI benefit overpayments, conducting audits, investigating UI fraud, and preparing fraud cases for criminal prosecution.

FY2008 Resources Allocated to Achieve Results

FY2008 Component Budget: \$20,382,200	Personnel:	
	Full time	167
	Part time	41
	Total	208

Key Component Challenges

For the first time since the program was implemented, Alaska did not trigger on to federal Extended Benefits (EB) due to lower unemployment rates. The culmination of no federal EB funds and an overall lower unemployment rate last year resulted in 35 seasonal staff being required to take extended leave without pay. Due to funding shortages, staffing levels have been reduced from last year by 10%. Vacancies in the UI Tax office result in more employer accounts per auditor and less time to spend with each employer. Furthermore, there will be fewer technical assistance opportunities with employers to exchange information. Our claims response time has diminished due to fewer staff, affecting customer service.

Fewer resources has led the UI program to develop more online technology to deliver services that meet or exceed our claimant and employer expectations. A commitment has been made to shift to a more paperless, electronic delivery system whenever possible. This will be done by internet claims processing, internet continued claims, and Tax Online Services.

Improved marketing of online services to current UI recipients will be conducted during FY2008 through mailers and claimant messages. In addition, posters will be sent to job centers statewide and seasonal Alaska employers advising them of our new online services. UI program staff will continue to promote the advantage of filing claims and tax services online.

Significant Changes in Results to be Delivered in FY2008

Federal funding shortfalls (resulting in a decrement of \$2.7 million) and cost increases in FY2008 may diminish the ability of the Unemployment Insurance (UI) program to make timely UI benefit payments to eligible claimants. ESD will concentrate on delivering core UI products electronically to ensure employers and claimants receive adequate and continuous services.

The second phase of internet-based claims went into production in April 2006. This introduced online interactive fact-finding forms, expanded employment history, Unemployment Compensation for Ex-service members (UCX), and Unemployment Compensation for Federal Employees (UCFE) enhancements and updated functions that allow Alaskans to edit their applications before submitting them. These new enhancements will require less intervention from staff. Within the next year, continued bi-weekly claims will be processed within the system. This enhancement will be more cost-effective than providing a toll-free Interactive Voice Response (IVR) system. Potential eligibility issues can be detected and necessary information gathered when the claimant files their bi-weekly claim. Internet-based initial claims will continue to change the workload of staff and provide savings in operating costs.

Implementation of connectivity between the Social Security Administration and the Alaska Department of Labor and Workforce Development to verify social security numbers of all UI benefit claimants will facilitate the reduction of benefit overpayments and fraudulent claims. The interface will strengthen internal security, improve integrity of the UI database, and strengthen the department's ability to protect the UI Trust Fund.

Benefit Payment Control (BPC) continues implementation efforts on several projects to prevent, discourage, detect, and recover benefit overpayments. These include an improved cross-match system for reported wages, an upgrade to the National Directory of New Hires to facilitate earlier detection of overpayments, the ability to accept credit card payments, and installation of data mining software to detect fraud schemes.

The division will implement changes in Title 8 of the Alaska Administrative Code. The proposed changes are intended to clarify existing regulation language, strengthen work availability requirements for UI claimants, and aid in the efficiency of processing claims for benefits and collection of UI taxes.

Major Component Accomplishments in 2006

Unemployment Insurance benefits totaling \$112.0 million were paid to 51,120 insured workers. This is a decrease of \$11.2 million and 2,487 fewer claims from last year. During the same period over \$177.0 million in contributions was deposited into the UI Trust Fund.

Reduced the duration of unemployment benefits claimed by ensuring workers register in the division's online labor exchange system (ALEXsys) and post their resume on-line. This allows employers and division staff to find available workers statewide and facilitate the reemployment of UI claimants.

Employers continue to file their quarterly contribution reports online. A total of 11,341 reports were filed online in FY2006 compared to 10,473 in FY2005. Many upgrades have been made to the Tax Online System to create a more efficient, user-friendly, and secure website. Upgrades for employers include ease of changing acquisition of businesses, changing account status, as well as viewing account balances and payment history. Additional phases will continue to save staff time by providing an automated method for employers to amend submitted quarterly reports. Since October 2005, over \$11 million has been collected through electronic fund transfer.

Benefit Payment Control increased collection activities resulting in the recovery of approximately \$3.5 million in benefit overpayments. Of this total, \$670.0 was recovered through PFD levy requests submitted to the Department of Revenue. Of the \$6.2 million in detected and established overpays, 57% has been recovered.

The UI program implemented a document management system in April 2006. UI program staff can now scan documents into PDF format, replacing the existing microfilm process. This process has significantly streamlined document workflow and provides a cost savings of \$34,500 per year. Additional phases of this project will include fax servers.

Working with the Legislature SB 306 was passed bringing the state into compliance with the Federal State Unemployment Tax Act (SUTA) of 2004. This allows the department to curb certain employer UI tax avoidance activities and establish civil and criminal penalties for violators. Had SB 306 not been enacted, Alaska's UI program could have been decertified and employers in the state would have lost their federal offset credit of 5.4 percent, resulting in \$103.9 million in additional taxes annually. Currently Alaskan employers enjoy a .8 percent FUTA tax rate instead of 6.2 percent. This is the result of Alaska's program successfully remaining in compliance.

Call Centers continue to strive for high quality customer service despite experiencing a very heavy workload and significant procedural changes. Biannual customer surveys were conducted and 94% responded that overall service was adequate or better. This exceeds the federal benchmark of 90%.

Statutory and Regulatory Authority

Federal Authority:

5 USC Sec. 8501 – 8525	Unemployment Compensation for Federal and Military Employees
26 USC Chapter 23	Federal Unemployment Tax Act
26 USC Chapter 25	General Provisions Relating to Employment Taxes
Social Security Act Title III	Grants to States for Unemployment Compensation Administration
Social Security Act Title IX	Miscellaneous Provisions Relating to Employment Security
Social Security Act Title XI	General Provisions, Peer Review, and Administrative Simplification
Social Security Act Title XII	Advances to State Unemployment Funds
Public Law 93 – 618	Trade Act of 1974
Public Law 103 – 152	Mandatory Profiling of UI Claimants
Public Law 107 – 147	Temporary Extended Unemployment Compensation Act of 2002
Public Law 107 – 210	Trade Adjustment Assistance Reform Act of 2002
Public Law 108 - 295	SUTA Dumping Prevention Act of 2004
Title 20 CFR, Chapter V	Employment and Training Administration

Statutory Authority:

AS 23.20	Alaska Employment Security Act
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Administrative Regulations:

8 AAC 85	Employment Security
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Unemployment Insurance Component Financial Summary

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	13,897.1	15,352.1	15,563.6
72000 Travel	150.3	132.7	132.7
73000 Services	3,552.0	5,289.8	4,399.4
74000 Commodities	470.8	286.5	286.5
75000 Capital Outlay	47.4	41.4	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	18,117.6	21,102.5	20,382.2
Funding Sources:			
1002 Federal Receipts	17,648.2	20,317.0	17,818.7
1004 General Fund Receipts	13.3	52.9	1,753.1
1007 Inter-Agency Receipts	456.1	87.6	95.8
1054 State Employment & Training Program	0.0	310.0	344.8
1108 Statutory Designated Program Receipts	0.0	25.0	25.0
1151 Technical Vocational Education Program Account	0.0	310.0	344.8
Funding Totals	18,117.6	21,102.5	20,382.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
State Employment and Training Program	51394	0.0	310.0	344.8
Technical Vocational Education Program	51433	0.0	310.0	344.8
Unrestricted Total		0.0	620.0	689.6
Restricted Revenues				
Federal Receipts	51010	17,648.2	20,317.0	17,818.7
Interagency Receipts	51015	456.1	87.6	95.8
Statutory Designated Program Receipts	51063	0.0	25.0	25.0
Restricted Total		18,104.3	20,429.6	17,939.5
Total Estimated Revenues		18,104.3	21,049.6	18,629.1

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	52.9	20,317.0	732.6	21,102.5
Adjustments which will continue current level of service:				
-Fund Source Adjustment for Retirement Systems Increases	1,700.2	-1,700.2	0.0	0.0
Proposed budget decreases:				
-Decrease Federal Authorization to be Offset by Specific Federal Reed Act Authorization	0.0	-1,200.0	0.0	-1,200.0
-Delete Federal Authorization and 24 Positions to Align with Anticipated Receipts	0.0	-2,694.3	0.0	-2,694.3
Proposed budget increases:				
-Add Federal Reed Act Authorization that Offsets Reduction to General Federal Authorization	0.0	1,200.0	0.0	1,200.0
-FY 08 Retirement Systems Rate Increases	0.0	1,896.2	77.8	1,974.0
FY2008 Governor	1,753.1	17,818.7	810.4	20,382.2

Unemployment Insurance Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	186	167	Annual Salaries	9,429,175
Part-time	45	41	Premium Pay	27,372
Nonpermanent	1	0	Annual Benefits	7,248,319
			<i>Less 6.83% Vacancy Factor</i>	(1,141,266)
			Lump Sum Premium Pay	0
Totals	232	208	Total Personal Services	15,563,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Spvr II	0	0	2	0	2
Accounting Tech I	2	0	6	0	8
Accounting Tech II	1	0	6	1	8
Accounting Tech III	0	0	2	0	2
Administrative Assistant	1	0	1	0	2
Administrative Clerk II	0	0	2	0	2
Administrative Clerk III	1	0	3	0	4
Administrative Manager I	0	0	1	0	1
Appeals Referee II	3	0	1	0	4
Appeals Referee III	1	0	0	0	1
Asst Dir Employ Security	0	0	1	0	1
Employ Sec Analyst I	0	0	1	0	1
Employ Sec Analyst II	1	1	7	0	9
Employ Sec Analyst III	0	0	11	0	11
Employ Sec Spec IA	7	1	13	0	21
Employ Sec Spec IB	29	6	23	0	58
Employ Sec Spec II	6	1	4	0	11
Employ Sec Spec III	6	1	4	0	11
Employment Service Mgr III	0	1	0	0	1
Employment Service Mgr IV	1	0	0	0	1
Field Auditor I	7	1	2	1	11
Field Auditor II	1	1	1	0	3
Investigator II	3	1	1	0	5
Investigator III	1	0	0	0	1
Microfilm/Imaging Oper I	0	0	1	0	1
Paralegal I	1	0	0	0	1
Prog Coordinator	0	0	4	0	4
Spvr Audit Operations	0	0	1	0	1
Supvr, Unempl Ins Tax	0	0	1	0	1
Unem Ins Qtl Contl Auditr	3	1	3	0	7
Unem Quality Contl Supervisor	0	0	1	0	1
Unemp Ins Support Svcs Mgr	0	0	1	0	1
Unemployment Ins Spec II	0	0	9	0	9
Unemployment Ins Spec III	0	0	2	0	2
Totals	75	15	116	2	208